

PROVINCE OF SASKATCHEWAN



11-12

ANNUAL REPORT

**MINISTRY OF ADVANCED
EDUCATION, EMPLOYMENT
AND IMMIGRATION**

Student Aid Fund

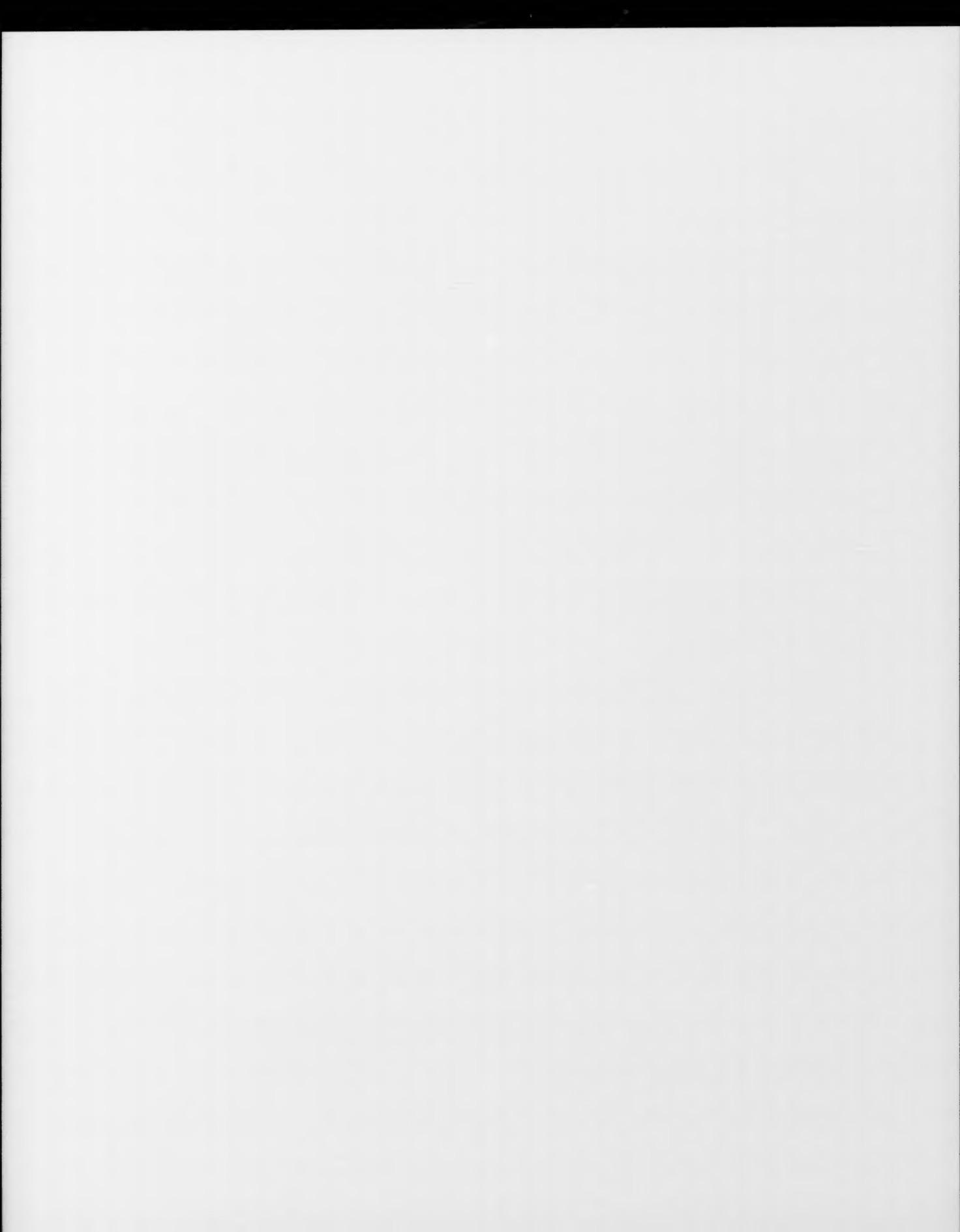


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Letters of Transmittal



Her Honour, The Honourable Ms. Vaughn Solomon Schofield
Lieutenant Governor of Saskatchewan

May it Please Your Honour:

I respectfully submit the Annual Report of the Saskatchewan Student Aid Fund for the fiscal year ending March 31, 2012. The financial statements included in the report were prepared by the Ministry of Advanced Education, Employment and Immigration and audited by the Provincial Auditor of Saskatchewan.

A handwritten signature in cursive ink, appearing to read "DR morgan".

Don Morgan, Q.C.
Minister of Advanced Education

The Honourable Don Morgan, Q.C.
Minister of Advanced Education

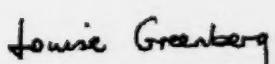
Dear Minister Morgan:

We, the Trustees of the Student Aid Fund, have the honour of presenting the Annual Report of the Saskatchewan Student Aid Fund for the fiscal year ending March 31, 2012.

During the year under review, the programs provided through the Fund contributed to a high degree of accessibility to post-secondary education and provided services to meet the needs of individuals and communities in Saskatchewan.

Financial assistance provided through the Fund aligns with the strategies and key actions identified in the 2011-12 Plan for the Ministry of Advanced Education, Employment and Immigration to support Government's goal of sustained economic growth for the benefit of Saskatchewan people.

Respectfully submitted,



Louise Greenberg, Ph.D.
Trustee



Clare Isman
Trustee

Introduction

The 2011-12 Annual Report of the Saskatchewan Student Aid Fund provides an overview of the Fund's organization and financial assistance provided in the form of loans, bursaries, grants and scholarships. The report also includes the Fund's March 31, 2012 financial statements.

Highlights

Highlights of the Saskatchewan Student Aid Fund in 2011-12:

- Full-time Saskatchewan Student Loans were provided to 12,987 students.
- Saskatchewan Student Loans totalling \$51,886,208 were disbursed to students.
- Students were provided with \$33,229,984 in debt reduction benefits.
- Students having difficulty repaying their loans were provided with \$663,293 in benefits primarily through the Repayment Assistance Plan.
- Saskatchewan Student Grants totalling \$74,504 were disbursed to students with permanent disabilities and part-time students.
- Total loans receivable were \$70,343,731.
- Other provincial awards including scholarships totalling \$2,161,521 were paid through the Fund.
- Federal awards totalling \$1,488,741 were disbursed through the Fund.

Alignment with Government's Direction

Our Government's Vision

A secure and prosperous Saskatchewan, leading the country in economic and population growth, while providing a high quality of life for all.

Government's Goals

- **Sustain economic growth** for the benefit of Saskatchewan people, ensuring the economy is ready for growth and positioning Saskatchewan to meet the challenges of economic and population growth and development.
- **Secure Saskatchewan** as a safe place to live and raise a family where people are confident in their future, ensuring the people of Saskatchewan benefit from the growing economy.
- **Keep Government's promises** and fulfill the commitments of the election, operating with integrity and transparency, accountable to the people of Saskatchewan.

The Saskatchewan Student Aid Fund supports Government's goal of sustained economic growth and the Ministry's strategy to support an excellent, innovative, accountable and accessible advanced education system that is responsive to learners' needs and contributes to an innovative economy.

The Saskatchewan Student Aid Fund

The Saskatchewan Student Aid Fund was created in 1949 by the Government of Saskatchewan to ensure that students would not be denied access to post-secondary education or training due to lack of financial resources. Since then, the Fund has assisted thousands of individuals to attain their education and career goals.

Authority for administration of the Saskatchewan Student Aid Fund is provided by *The Student Assistance and Student Aid Fund Act, 1985* and related Regulations. This legislation calls for:

- Three trustees to administer the Fund;
- the Scholarship, Bursary and Loan Committee to make recommendations to the Minister; and
- the Ministry over which the Minister presides to operate the Fund.

The Student Aid Fund administers programs that provide repayable and non-repayable financial assistance to qualified Saskatchewan residents enrolling in approved programs of study.

The Saskatchewan Student Loans Program has evolved over the years with the goal of continuing to improve financial accessibility for Saskatchewan students. Throughout this process many changes have been implemented to aid in assessment, approval and repayment of student loans.

The Canada-Saskatchewan Integrated Student Loans Program, implemented for loans issued on or after August 1, 2001, is delivered jointly by the Governments of Canada and Saskatchewan. Financial assistance provided through the program is aligned where possible to provide maximum benefit to the student.

The 2011-12 Saskatchewan Student Aid Fund Annual Report represents only Saskatchewan loans and grants with the exception of federal programs that are issued or administered through the Fund or are applied as a debt reduction benefit to Saskatchewan Student Loans. Borrowers are also likely to have received federal loans and grants and may have received funding from other sources as well. Annual report information on the federal portion of loans and grants can be found online at http://www.hrsdc.gc.ca/eng/learning/canada_student_loan/Publications/index.shtml.

Student Financial Assistance Programs

Full-time Student Loans

Financial assistance for full-time Saskatchewan Student Loans is provided through the Canada-Saskatchewan Integrated Student Loans Program. All applications are assessed to determine the applicant's financial need by subtracting the contributions expected from the student and the student's family from the educational and living costs allowed under the program.

The maximum Saskatchewan Student Loan that can be authorized is \$198 per week of study, except medical students, who receive an additional \$167 per week of study. Upon completion of the student's period of study, the student may be eligible for a number of debt reduction benefits that reduce the amount that is repayable. In addition, there are a number of provisions to accommodate students with permanent disabilities.

Interest-Free Status

The provincial government pays the interest on student loans while the student is attending a designated educational institution full-time. The student is responsible for the interest on student loans from the first day of the first month after the student ceases full-time study.

The student is not responsible for interest that accrues on student loans between academic periods if the break is six months or less, and appropriate documentation is submitted.

Students who are attending a designated educational institution as a full-time student, but who are not receiving financial assistance, may keep any federal and provincial student loans in interest-free status during their academic periods by submitting appropriate documentation.

Debt Reduction Benefits

The purpose of debt reduction benefits is to help reduce the amount of loan the student will have to repay. All debt reduction benefits are automatically applied following the study period first against the student's Saskatchewan loan debt and, in some cases where funds remain, then applied to the federal loan debt.

The **Saskatchewan Student Bursary** is available to all students (except graduate and medical students) with loan assistance exceeding \$210 per week of study. The maximum bursary amount available is \$140 per week of study and is credited to the student's Saskatchewan Student Loan.

The **Saskatchewan Student Grant for Persons from Low-Income Families** provides assistance in the amount of \$58 per week of study (or about \$250 per month) to low-income students enrolled in one year programs and to students enrolled in graduate and post-graduate programs.

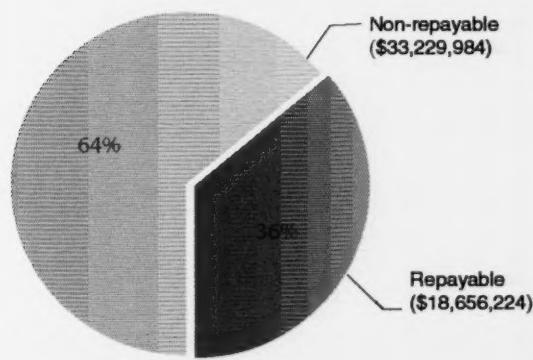
The **Saskatchewan Student Grant for Persons from Middle-Income Families** provides assistance in the amount of \$23 per week of study (or about \$100 per month) to middle-income students enrolled in one year programs and to students enrolled in graduate and post-graduate programs.

The **Saskatchewan Student Grant for Low-Income Persons with Dependant Children** provides assistance in the amount of \$47 per week of study per dependant (or about \$200 per month per dependant) to low-income students with dependant children between the ages of 12 and 18.

The **Transition Grant** is a federal program that provides a maximum of three years of funding to students who received millennium bursaries in the 2008-09 loan year. Transition Grants ensure that these students will receive the same level of grant funding for the remainder of their current post-secondary program.

Almost two-thirds of the Saskatchewan assistance disbursed in 2011-12 was non-repayable.

2011-12 Repayable and Non-Repayable Assistance



Data source: AEEI Student Financial Assistance Records

Repayment of Student Loans

Students with Canada-Saskatchewan Integrated Student Loans make payment arrangements with the National Student Loans Service Centre. Students with loans issued prior to August 2001 must make arrangements with lenders holding their loans to repay their Saskatchewan Student Loans.

Repayment options are available to students who are unable to meet the repayment terms of their loan agreements. Repayment terms may be revised or interest and repayment relief may be provided through debt management tools.

Debt Management Tools

When a borrower is unable to meet the repayment terms, there are a variety of debt management tools available.

The following debt management tools are available for borrowers with a Canada-Saskatchewan Integrated Student Loan or borrowers with a Canada-Saskatchewan Integrated Student Loan and a Saskatchewan Student Loan issued prior to 2001.

The **Repayment Assistance Plan – Stage 1** provides repayment deferral to eligible borrowers for a maximum of 60 months. Borrowers with incomes below minimum thresholds do not make monthly payments. Borrowers with incomes above minimum thresholds but insufficient to cover their entire required payment make affordable payments that are applied first to principal and then to interest.

The **Repayment Assistance Plan – Stage 2** provides loan forgiveness to borrowers demonstrating prolonged financial hardship who have either exhausted Repayment Assistance – Stage 1 benefits or who have been in repayment for ten years. Borrowers with incomes below minimum thresholds do not make monthly payments. Borrowers with incomes above minimum thresholds but insufficient to cover their entire required payment make affordable payments. The province will cover the balance of the required payment to ensure that the borrower's debt is completely paid by the end of fifteen years from loan consolidation.

The **Permanent Disability Benefit** is available to all borrowers regardless of when their loan was issued and whose disability prohibits employment or retraining. For borrowers with less severe disabilities where the potential for employment or retraining are impaired, an **Accelerated Repayment Assistance Plan** provides for loan forgiveness over a maximum ten year period. Under the Accelerated Repayment Assistance Plan, borrowers with incomes above minimum thresholds but insufficient to cover their entire required payment make affordable payments.

Borrowers with only a Saskatchewan Student Loan issued prior to 2001 receive **Interest Relief/Extended Interest Relief** benefits which provide repayment deferral for a maximum of 54 months to eligible borrowers who are experiencing financial hardship. Borrowers who remain in financial difficulty after receiving Interest Relief and Extended Interest Relief may receive **Debt Reduction in Repayment**. The Saskatchewan loan principal may be reduced by up to \$3,000.

Other Saskatchewan Student Grants

The **Saskatchewan Student Grant for Services and Equipment for Persons with Permanent Disabilities** provides a maximum of \$2,000 per year to Saskatchewan students to cover exceptional education-related expenses directly related to the student's permanent disability.

The **Saskatchewan Student Grant for Part-time Studies** provides for direct educational costs up to a maximum of \$800 per year to high need students who are enrolled in part-time studies.

Scholarships and Other Awards Issued or Administered through the Student Aid Fund

The **Centennial Merit Scholarship** targets top students from Saskatchewan high schools and enhances the ability of institutions to attract and retain high calibre students. The funding is paid to institutions responsible for its administration. Total funding in 2011-12 was \$1,982,959.

Distribution of funding is as follows: \$540,000 for the University of Regina; \$860,000 for the University of Saskatchewan; \$350,000 for Saskatchewan Institute of Applied Science & Technology; \$188,884 for Regional Colleges; \$20,875 for Apprenticeship; and \$23,200 for Saskatchewan Indian Institute of Technologies.

The **Queen Elizabeth II Scholarship** in the amount of \$20,000 is awarded annually for graduate or post-graduate study of Saskatchewan politics and government at either of Saskatchewan's universities. The scholarship is intended to encourage advanced study and research in Saskatchewan government and politics and thereby strengthen parliamentary institutions in the province. The award may be split between two recipients.

The **Queen Elizabeth II Centennial Aboriginal Scholarship** in the amount of \$20,000 is awarded annually to First Nations/Métis students who are pursuing graduate studies at either of Saskatchewan's universities. Preference is given to students who have attended the First Nations University of Canada.

The **D.R. Simmons Memorial Scholarships** in the amount of \$500 is available annually to two graduating Grade 12 Saskatchewan students of First Nations or Métis ancestry who are continuing studies at the post-secondary level.

The **James Dickson Scholarship** in the amount of \$500 is available annually to a graduating Grade 12 Saskatchewan student of black ancestry.

The **Doreen Kronick Matching Scholarship** in the amount of \$500 is available in Canada each year to recognize the scholastic achievement of a full or part-time graduate student studying in an area that will enable the student to help individuals with learning disabilities. The Ministry will award an additional \$500 if the recipient is a Saskatchewan resident attending a Saskatchewan university.

The **Scholarship of Honour** recognizes Saskatchewan individuals who have served in operations with the Canadian Forces and the families of those who have been severely injured or have made the ultimate sacrifice. The \$5,000 scholarship will be awarded to each eligible applicant.

The **Interest Subsidy Benefit for Medical Residents** was a one-time benefit administered by the Saskatchewan Medical Association. This benefit provided medical residents working in Saskatchewan with a payment equivalent to eighteen months of interest on their government student loans. Benefits for medical residents with Saskatchewan Student Loans were provided through the Fund.

Federal Awards Issued or Administered through the Student Aid Fund

Awards totalling \$1,488,741 were issued through the Student Aid Fund for two federal programs.

The **Canada Student Grant for Services and Equipment for Persons with Permanent Disabilities** provides a maximum of \$8,000 per year to students to cover exceptional education-related expenses directly related to the student's permanent disability. The grant is administered by the Student Financial Assistance Branch of the Ministry of Advanced Education, Employment and Immigration. Cheques and tax receipts are issued through the Saskatchewan Student Aid Fund.

There are a number of **federal bursaries and fellowships** awarded annually to provide anglophone post-secondary students with an opportunity for immersion in a french milieu and to encourage francophones to pursue their post-secondary studies in french in disciplines that are not offered within the province. These awards are funded through the federal department of Canadian Heritage and administered by the Ministry of Education. Cheques and tax receipts are issued through the Saskatchewan Student Aid Fund.

Summary of Awards and Benefits: 2011-12

Highlighted below is a summary of awards and benefits to assist students in the pursuit of post-secondary education.

	Number of Students	Total Amount
Full-time Loans		
Saskatchewan Student Loans Disbursed	12,987	\$51,886,208
Debt Reduction Benefits		
Saskatchewan Student Bursary	11,927	\$29,517,744
Saskatchewan Student Grant for Persons from Low-Income Families	2,005	\$2,424,315
Saskatchewan Student Grant for Persons from Middle-Income Families	924	\$440,244
Saskatchewan Student Grant for Low-Income Persons with Dependant Children	417	\$672,604
Transition Grant	144	\$175,077
Debt Management Tools		
Repayment Assistance Plan – Stage 1	2,591	\$239,240
Repayment Assistance Plan – Stage 2	171	\$140,879
Accelerated Repayment Assistance Plan for Borrowers with a Permanent Disability	299	\$251,513
Permanent Disability Benefit	6	\$31,109
Interest Relief	11	\$552
Other Saskatchewan Student Grants		
Saskatchewan Student Grant for Services and Equipment for Persons with Permanent Disabilities	55	\$40,492
Saskatchewan Student Grant for Part-time Studies	48	\$34,012
Scholarships and Other Awards		
Centennial Merit Scholarship	(Determined by institution)	\$1,982,959
Queen Elizabeth II Scholarship	1	\$20,000
Queen Elizabeth II Centennial Aboriginal Scholarship	2	\$20,000
D.R. Simmons Memorial Scholarships	2	\$1,000
James Dickson Scholarship	1	\$500
Doreen Kronick Matching Scholarship*	0	\$0
Scholarship of Honour	24	\$120,000
Interest Subsidy Benefit for Medical Residents	9	\$17,062
Federal Awards		
Canada Student Grant for Services and Equipment for Persons with Permanent Disabilities	329	\$1,295,591
French Language - Federal/Provincial Awards	149	\$193,150

* No qualified students applied for this scholarship

Data Source: AEEI Student Financial Assistance Records

Financial Results

Management's Responsibility for Financial Statements

The accompanying financial statements are the responsibility of the management of the Student Financial Assistance Branch, Ministry of Advanced Education, Employment and Immigration. They have been prepared in accordance with Canadian public sector accounting standards, using management's best estimates and judgements where applicable.

Management is responsible for the reliability and integrity of the financial statements, the notes to the financial statements, and other financial information contained in this report. Management is also responsible for maintaining a system of internal controls, policies and procedures designed to provide reasonable assurance that assets are safeguarded and that accounting systems provide timely, accurate and reliable financial information.

The Trustees of the Student Aid Fund are responsible for ensuring that management fulfills its responsibilities for financial reporting, internal control and administering the Fund in accordance with *The Student Assistance and Student Aid Fund Act, 1985* and related Regulations. The Trustees meet with management to satisfy themselves that management's responsibilities are properly discharged and to review the financial statements. The accompanying financial statements for the year ended March 31, 2012 have been approved by the Trustees of the Student Aid Fund.

The Provincial Auditor of Saskatchewan has audited the financial statements of the Student Aid Fund in accordance with Canadian generally accepted auditing standards and her report follows.

Regina, Saskatchewan

May 14, 2012



Tammy Bloor Cavers, MBA
Executive Director
Saskatchewan Advanced Education, Employment and Immigration



Provincial Auditor Saskatchewan

1500 Chateau Tower
1920 Broad Street
Regina, Saskatchewan
S4P 3V2

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Internet e-mail: info@auditor.sk.ca

INDEPENDENT AUDITOR'S REPORT

To: The Members of the Legislative Assembly of Saskatchewan

I have audited the statement of financial position of the Saskatchewan Student Aid Fund as at March 31, 2012 and the statements of operations and changes in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards for Treasury Board's approval, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Saskatchewan Student Aid Fund as at March 31, 2012, and the results of its operations and changes in net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Bonnie Lysyk, MBA, CA
Provincial Auditor

Regina, Saskatchewan
May 14, 2012

Statement 1**Saskatchewan Student Aid Fund
Statement of Financial Position**

As at March 31	(thousands of dollars)	
	2012	2011
Financial Assets		
Due from General Revenue Fund (Note 6)	\$15,086	\$12,233
Accrued Interest	38	40
Other Receivables	679	2,393
Student Loans Receivable (Note 4)	70,344	67,628
Total Financial Assets	\$86,147	\$82,294
Liabilities and Net Financial Assets		
Liabilities:		
General Revenue Fund Loan (Note 7)	\$80,504	\$79,004
General Revenue Fund Interest Payable	461	667
Due to Royal Bank of Canada (Note 5)	1,045	1,248
Other Accounts Payable	125	472
Total Liabilities	\$82,135	\$81,391
Net Financial Assets (Statement 2)	\$4,012	\$903

See accompanying notes to financial statements.

Statement 2

Saskatchewan Student Aid Fund
Statement of Operations and Changes in Net Financial Assets

For the Year Ended March 31	(thousands of dollars)		
	Budget (note 10)	Actual 2012	Actual 2011
Revenue:			
Appropriation from the General Revenue Fund	\$31,755	\$40,186	\$24,995
Grant – Canada Student	1,100	1,292	1,273
Grant – Federal Transition	–	175	976
Interest Revenue from the General Revenue Fund	100	111	112
Interest on Student Loans	2,145	1,739	2,170
Loan Discount Amortization	1,350	1,393	1,396
Recovery of Bad Debt	250	182	221
Other Income	225	200	218
	\$36,925	\$45,278	\$31,361
Expense:			
Saskatchewan Student Bursaries	\$23,020	\$29,517	\$25,683
Low- and Middle- Income Student Grants	2,100	2,865	2,570
Student Grants for Persons with Dependents Age 12 to 18	525	682	586
Provincial Student Grants - Other	85	75	80
Bursaries and Scholarships	2,425	2,327	2,449
Canada Student Grants	1,100	1,292	1,273
Federal Transition Grants	–	175	976
Interest Grants to Students	1,545	1,377	1,488
Royal Bank Interest Differential	–	62	540
Medical Residents - Interest Reimbursements	–	17	120
Repayment Assistance Plan	880	844	806
Permanent Disability/Death Benefit	75	106	165
Bad Debt Expense	2,390	259	112
Interest on General Revenue Fund Loan	2,545	2,228	2,642
Service Provider Costs	235	146	373
Collection Costs	200	197	171
	\$37,125	\$42,169	\$40,034
Increase (Decrease) in Net Financial Assets for the Year	\$(200)	\$3,109	\$(8,673)
Net Financial Assets, Beginning of Year	903	903	9,576
Net Financial Assets, End of Year – to Statement 1	\$703	\$4,012	\$903

See accompanying notes to financial statements.

Statement 3**Saskatchewan Student Aid Fund
Statement of Cash Flows**

For the Year Ended March 31	(thousands of dollars)	
	2012	2011
Cash Receipts from (used in) Operating Activities		
Receipts from General Revenue Fund	\$40,186	\$25,844
Receipts from Federal Government	2,625	3,409
Receipts from Student Loan Repayments Including Interest	17,567	17,852
Receipts of Bank Interest	113	102
Payment of Student Loan Disbursements	(51,885)	(45,700)
Payments to Royal Bank	(301)	(206)
Payments for Scholarships, Grants and Other Student Support	(3,941)	(3,900)
Payments of Interest on General Revenue Fund Loan	(2,434)	(2,677)
Payments of Service Provider Fees and Collection Costs	(577)	(332)
Total Operating	\$1,353	\$ (5,608)
Cash Receipts from (used in) Financing Activities		
Receipts from General Revenue Fund Loan	\$53,500	\$46,000
General Revenue Fund Loan Repayments	(52,000)	(47,000)
Total Financing	\$1,500	\$ (1,000)
Net Increase (Decrease) in Due from General Revenue Fund	\$2,853	\$ (6,608)
Due from General Revenue Fund, Beginning of Year	12,233	18,841
Due from General Revenue Fund, End of Year	\$15,086	\$12,233

See accompanying notes to financial statements.

Saskatchewan Student Aid Fund
Notes to the Financial Statements
March 31, 2012

1. Authority

The Saskatchewan Student Aid Fund (the Fund) operates under the authority of *The Student Assistance and Student Aid Fund Act, 1985*. The primary purpose of the Fund is to support the Saskatchewan Student Loan Program. The Trustees of the Student Aid Fund administer the Fund.

2. Description of the Program

Under the terms of the Saskatchewan Student Loan Program, student loans are provided to qualifying individuals based on a determination of need. Loans are interest-free while the student is in full time studies and for a maximum of six months between periods of study. They become repayable on the first day of the seventh month following discontinuance of studies or graduation, however, interest begins to accrue on the first day of the first month following discontinuance of studies or graduation.

Program benefits are tied to loan years, which commence August 1 and end July 31 of each year. Provincial debt reduction and debt management benefits are offered through the Fund.

Debt Reduction Benefits:

- The Saskatchewan Student Bursary provides a maximum of \$140 per week to all borrowers (except medical or graduate students) who have demonstrated need.
- The Low- and Middle-Income Saskatchewan Student Grants provide a maximum of \$58 per week or \$23 per week respectively to qualifying borrowers in one year programs or in graduate/post graduate programs.
- The Saskatchewan Student Grant for Persons with Dependents provides \$47 per week of study per dependant to low-income students with dependant children between the ages of 12 and 18.
- The Permanent Disability Benefit provides loan forgiveness to borrowers whose severe disability prohibits employment or retraining.

Debt Management Benefits:

- The Repayment Assistance Plan – Stage 1 provides repayment deferral for up to 60 months to low-income borrowers. Borrowers below minimum income thresholds make no payments, while those with incomes above minimum thresholds but insufficient to cover their entire required payment make Affordable Payments that are applied first to principal and then to interest.

-
- The Repayment Assistance Plan – Stage 2 provides loan forgiveness to borrowers demonstrating prolonged financial hardship who have either exhausted Repayment Assistance – Stage 1 or who have been in repayment for ten years. Borrowers with incomes below minimum thresholds make no monthly payments. Borrowers with incomes above minimum thresholds but insufficient to cover their entire required payment make Affordable Payments. The province covers the balance of the required payment to ensure that the borrower's debt is completely paid by the end of fifteen years from loan consolidation.
 - The Accelerated Repayment Assistance Plan – Permanent Disability provides loan forgiveness over a maximum ten year period to borrowers with permanent disabilities where the potential for employment or retraining is impaired. Borrowers with incomes above minimum thresholds but insufficient to cover their entire required payment make Affordable Payments, with the province covering the balance of the required payment.

In the 2008/09 loan year, a ten year agreement with the Canada Millennium Scholarship Foundation to provide millennium bursaries to Saskatchewan post-secondary students ended. For the 2009/10 loan year, the federal government introduced a Transition Grant which provides a maximum of three years of funding to borrowers who received millennium bursaries in the 2008/09 loan year. Transition Grants ensure that these borrowers will receive the same level of grant funding for the remainder of their current post-secondary program. For the 2011/12 loan year, \$175 million (2011 - \$976 million) in Transition Grants were provided to 144 (2011 - 634) Saskatchewan post-secondary students.

Prior to August 1, 1996, the Province provided funding for student loans, and all loan administration was undertaken by staff of the Ministry of Advanced Education, Employment and Immigration (the Ministry). During the period August 1, 1996 to July 31, 2001, the Royal Bank was the financier of student loans and assumed responsibility for the disbursement, management and collection of student loans. These are referred to as lender-financed loans.

In 2001, the Province entered into an agreement with the Government of Canada to integrate the delivery and administration of Canada and Saskatchewan student loans. The Canada-Saskatchewan Integration Agreement for the Harmonization and Administration of Federal and Provincial Student Loans Programs became effective August 1, 2001. In conjunction with the agreement, the Ministry provides loan authorization for both Saskatchewan and Canada student loans, and the Province is re-established as the financier of Saskatchewan student loans. On behalf of the Ministry and the Government of Canada, an external agency (service provider) manages the disbursement, administration and repayment of integrated student loans. On behalf of the Province, the Government of Canada is responsible for the collection of bankrupt and defaulted loans.

In 2008, the principles of federal/provincial integration and shared administrative responsibilities established in the 2001 federal/provincial agreement were reaffirmed with the signing of the Canada-Saskatchewan Integration Agreement for the Administration of Federal and Provincial Student Loans.

The Fund pays to Royal Bank a 2.5 per cent interest differential on student repayments made on lender-financed loans. This represents the difference between the prime plus 2.5 per cent (floating) and prime plus 5.0 per cent (fixed) interest rates applicable to lender-financed loans prior to August 1, 2010 and prime rate (floating) and prime plus 2.5 per cent (fixed) interest rates introduced by the province for student loans effective August 1, 2010.

Borrowers who hold only Canada-Saskatchewan Integrated Loans or who hold both lender-financed or pre August 1, 1996 provincially financed and Canada-Saskatchewan Integrated Loans are eligible for all program benefits described above. Borrowers who hold only pre August 1, 1996 provincially financed loans or lender-financed loans can receive Interest Relief payment deferral and a maximum \$3,000 Debt Reduction in Repayment benefit rather than benefits of the Repayment Assistance Plan.

3. Significant Accounting Policies

The financial statements are prepared in accordance with Canadian public sector accounting standards. The following accounting policies are considered significant:

a) Accrual Basis

The financial statements are prepared on the accrual basis of accounting.

b) Revenues

The Appropriation from the General Revenue Fund is recorded when receivable.

Canada Student Grants and the Federal Transition Grants are recorded in the year in which the related Canada Student Grants and Federal Transition Grants are recognized.

Interest on Student Loans and Interest Revenue from the General Revenue Fund are recorded when receivable.

Recovery of Bad Debt is recorded when received.

c) Expenses

Saskatchewan Student Bursaries, Low- and Middle-Income Student Grants and Student Grants for Persons with Dependents Age 12 to 18 are recorded as they are earned by students over their period of study.

The Royal Bank Interest Differential, Repayment Assistance Plan, Permanent Disability/Death Benefit, and Bad Debt Expense are recorded based on estimates of expected utilization.

Interest Grants to Students reflect the cost of holding student loans in interest-free status during periods of study. The cost is recorded at the time of loan disbursement and amortized to revenue over the estimated interest free term (Loan Discount Amortization).

Interest on General Revenue Fund Loan, Medical Residents Interest Reimbursement, Collection Costs and Service Provider Costs are recorded in the period that the expense was incurred.

Canada Student Grants, Federal Transition Grants, Provincial Student Grants – Other and Bursaries and Scholarships are expensed when approved.

d) **Use of Estimates**

The preparation of financial statements in accordance with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Measurement uncertainty impacts Student Loans Receivable (Note 4) and Due to Royal Bank of Canada (Note 5).

e) **Student Loans Receivable**

Student loans are carried at the amount advanced plus accrued interest. Simple interest is charged on loans following the interest-free in school period. Payments on loans are first applied to interest, then to outstanding principal.

For loans held by the Fund, allowances are deducted from loans receivable for the following:

- i) estimated uncollectible loans due to default on repayment, based on past collection experience;
- ii) the cost of holding student loans in interest-free status; and
- iii) estimated debt reduction and debt management benefits.

4. Student Loans Receivable

	(thousands of dollars)	
	2012	2011
Loans outstanding, beginning of year	\$129,929	\$126,213
Add		
New loans during the year	51,885	45,699
Legal Fees added to Accounts Receivable	7	10
Royal Bank buybacks	3	—
Interest earned on student loans	2,069	2,583
Deduct		
Loan repayments net of payments on written off accounts	(16,623)	(17,552)
Amounts authorized to reduce loans	(32,389)	(26,984)
Loans written off	(268)	(40)
Gross student loans receivable, end of year*	\$134,613	\$129,929
Deduct		
Allowance for Repayment Assistance Plan	(5,904)	(5,662)
Allowance for Permanent Disability/Death	(493)	(467)
Interest Grants to Students	(2,192)	(2,195)
Federal Transition and Canada Study Grants Payable	(190)	(992)
Student Bursaries Payable	(21,508)	(19,497)
Low- and Middle-Income Student Grants Payable	(1,723)	(1,609)
Student Grants for Persons with Dependents Age 12 - 18	(430)	(372)
Allowance for Uncollectible Loans	(31,829)	(31,507)
Student loans receivable, end of year	\$70,344	\$67,628

*Includes Consolidated Loans (loans in repayment) of \$63.242 million (2011 - \$64.222 million)

Student Loans Receivable consist of amounts owing by borrowers for loans granted prior to the Canada-Saskatchewan Integration Agreement (2012 - \$.209 million; 2011 - \$.517 million), and subsequent to the Integration Agreement (2012 – \$134.406 million; 2011 - \$129.413 million), offset by debt reduction benefits payable, debt management benefits payable and the allowance for uncollectible loans.

Included in the amounts authorized to reduce loans are Student Bursaries, Low- and Middle-Income Student Grants and Student Grants for Persons with Dependents Age 12 – 18. These have been reduced by \$.138 million (2011 - \$.755 million), which is a portion of the \$.175 million (2011 - \$.976 million) received in federal Transition Grants.

Variability in Student Loans Receivable

Estimation is a factor in the following offsets to Gross Student Loans Receivable.

Allowance for Repayment Assistance Plan

The allowance is an estimate of future costs based on projected prime rates of interest, projected months of repayment assistance utilization and estimates for program take-up.

Allowance for Permanent Disability/Death Benefit

The allowance is an estimate of future costs based on estimates of program utilization in relation to projections of future average value of loans in repayment.

Interest Grants to Students

The benefit was calculated assuming that students remain in school for an average of three years, and applying the Fund's borrowing rate.

Allowance for Uncollectible Accounts

The Fund is exposed to losses in the event that borrowers default on repayment of their student loans. The Fund's maximum risk is represented by Gross Student Loans Receivable.

Management estimates are used to determine the dollar value of loans expected to be uncollectible. Interest income continues to be earned on all loans to the point of write-off. The recorded Allowance for Uncollectible Loans includes provision for interest income earned on impaired loans.

These allowances could reasonably be expected to fluctuate in the next twelve months as follows:

	(thousands of dollars)		
	2012		2011
	Actual	Range of Accruals	Actual
Allowance for Repayment Assistance Plan	\$5,904	\$3,619 to \$8,442	\$5,662
Allowance for Permanent Disability/Death	\$493	\$393 to \$604	\$467
Interest Grants to Students	\$2,192	n/a	\$2,195
Allowance for Uncollectible Loans	\$31,829	\$29,650 to \$34,003	\$31,507

Loan Interest Rates

Loans in repayment are subject to interest rate risk related to repayment terms. The current portfolio of loans in repayment have effective interest rates of 3.00% to 9.50% (2011 – 3.00% to 9.50%). The Minister charges interest rates pursuant to *The Student Assistance and Student Aid Fund Regulations, 2001* and *The Saskatchewan Student Direct Loans Regulations*.

For the majority of loans held by the Fund, interest rates are set at the option of the student either at a floating rate or a fixed rate at the time of loan consolidation. The floating rate is equal to prime and the fixed rate equal to prime plus 2.5%.

The fair value and repayment period of loans receivable have not been disclosed because it is not practicable to determine the loan repayments with sufficient reliability. There are a number of factors needed to estimate the timing and the amount of loan repayments. These factors include the Fund's historical experience, applications for debt management benefits, debt reduction, economic conditions, and the necessity to rely on the actions of a large number of individuals.

Interest rates for consolidated loans are as follows:

	(thousands of dollars)	
	2012	2011
Interest Rate	Total Balance	Total Balance
3% - 3.9%	\$63,040	\$63,970
4% - 4.9%	40	48
5% - 5.9%	58	74
6% - 6.9%	99	112
7% - 7.9%	1	2
8% - 8.9%	0	11
9% - 9.9%	4	5
10% or greater	-	-
Loans Consolidated	\$63,242	\$64,222

5. Due to Royal Bank of Canada

The Fund estimates amounts due to Royal Bank. Estimation is a factor in the following:

Repayment Assistance Plan is estimated based on projections of prime rates of interest, projected months of repayment assistance utilization and value of loans on Repayment Assistance.

Royal Bank 2.5% Interest Differential is estimated based on projections of outstanding loan balances and projections of borrowers who will make required payments.

Permanent Disability/Death Benefit is estimated based on an historical analysis of past claims and projected future loan values.

	(thousands of dollars)		
	2012		2011
	Actual	Range of Accruals	Actual
Repayment Assistance Plan	\$641	\$401 to \$1,009	\$666
2.5% Interest Differential	\$288	\$243 to \$336	\$403
Permanent Disability/Death	\$40	\$12 to \$80	\$54
Other Payables	\$76	n/a	\$125
Due to Royal Bank of Canada	\$1,045		\$1,248

6. Due from General Revenue Fund

The Fund's bank accounts are included in the Consolidated Offset Bank Concentration arrangement for the Government of Saskatchewan.

The Fund's earned interest is calculated and paid quarterly by the General Revenue Fund to the Fund using the General Revenue Fund's thirty day borrowing rate and the Fund's average daily bank account balances.

Included in this amount is \$24 thousand of restricted funds used for scholarships.

7. General Revenue Fund Loan

Effective August 1, 2001, the Province assumed responsibility for the financing of student loans. A loan from the General Revenue Fund is provided to the Student Aid Fund to support this role.

The interest rate charged on the General Revenue Fund Loan is at the Province's eight year cost of borrowing. The Province's average eight year cost of borrowing rate for 2012 was 3.19 per cent (2011 – 3.74 per cent). Under the terms of the loan agreement, the Student Aid Fund makes quarterly loan payments to the General Revenue Fund. The dollar amount of required loan payment is calculated as the sum of debt reduction benefits applied against student loans, the principal portion of student payments received by the Saskatchewan Student Aid Fund and accounts written off.

8. Fair Values

Due from General Revenue Fund, Accrued Interest, Other Receivables, Other Accounts Payable, and General Revenue Fund Interest Payable are all short-term in nature and as such their fair value approximates carrying value.

The Student Loans Receivable, General Revenue Fund Loan and Due to Royal Bank of Canada are long-term in nature and there is no market for selling or settling these assets or liabilities. Therefore, the determination of the fair value of these assets and liabilities is not practicable.

9. Related Party Transactions

In accordance with established government practice, all administrative and occupancy costs are paid by the Ministry. Accordingly, no provision for these costs is reflected in these financial statements. Costs paid to other government agencies for loan collection services are paid by the Fund. Other related party transactions are disclosed separately in these financial statements.

10. Budget

The operating budget was approved by the Trustees of the Student Aid Fund on May 4, 2011.

11. Comparative Figures

Certain of the 2011 financial statement figures have been reclassified to conform with presentation of the 2012 figures.

For More Information

If you have any questions or comments we invite you to call 1-800-597-8278 or contact:

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To obtain more information about the programs and services contained in this Annual Report,
please visit our website at www.student-loans.sk.ca.

